

Commodity Outlook

Tuesday, March 15, 2016



Gold

Technical

Gold markets initially gapped lower at the open and then turn right back around to fill that gap. We found the \$1260 level to be far too resistive to continue going higher, and as a result turned back around to form a bit of a shooting star. There is an uptrend line below though, and as a result we could get a bit of a bounce. Even if we do fall from here though, we are bit hesitant to start selling. A supportive candle below would be reason enough to start buying as it would continue the uptrend. The \$1200 level below should be massively supportive, and essentially a "floor" in this market.

Pivot:	1,228		
Support	1,219	1,215	1,211
Resistance	1,238	1,248	1,259

Recommendation

Sell positions below 1238.00 with targets at 1219.50 and 1215.00 in extension

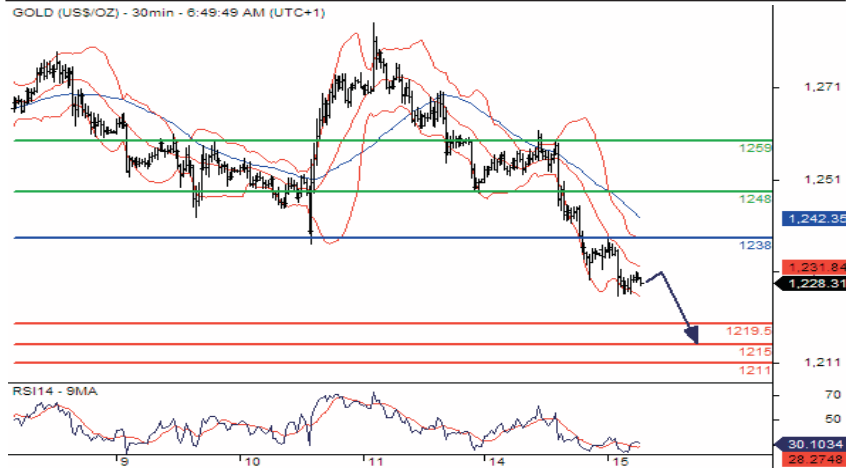
Highlights

- Gold steadied yesterday, paring earlier gains as stock markets and the dollar gained
- The metal, which is highly sensitive to monetary policy and resulting currency moves, bounced to a 13-month high on Friday
- European Central Bank signalled an end to rate cuts, pushing the euro sharply higher versus the dollar
- The Federal Reserve's two-day policy meeting, started today
- U.S rate hikes could lift the opportunity cost of holding non-yielding bullion

Gold - Technical Indicators

RSI 14	52.48
SMA 20	1,242.99
SMA 50	1,181.14
SMA 100	1,128.69
SMA 200	1,130.90

Gold Daily Graph



Source: Meta Trader, IGI Research

Fundamentals

- Gold dropped for a third consecutive session yesterday to its lowest in almost two weeks, with investors focused on the upcoming U.S. Federal Reserve policy meeting. A rise in global equity markets over the past few days has provided headwinds to the gold market.
- The yen advanced against the dollar and Asian stocks languished near the day's lows on Tuesday, after the Bank of Japan held policy steady as expected and offered a bleaker view of the country's economy in the face of lingering anxiety over slowing global growth.
- Spot gold dropped 0.5 percent to 1,228.56 an ounce, while U.S. gold slid 1.3 percent to \$1,229.10 an ounce. Spot gold earlier in the session fell to \$1,225.70 an ounce, its lowest since March 2.
- The Fed's two-day policy meeting will start on Tuesday and be watched for clues on the future pace of U.S. rate increases. Further U.S. rate hikes could lift the opportunity cost of holding non-yielding bullion, while boosting the dollar, in which it is priced. The metal has risen 16 percent this year as expectations for further near-term hikes faded.
- The BOJ kept monetary policy steady but offered a bleaker view on the economy and warned of waning inflation expectations, signalling that global headwinds that may justify deploying yet more stimulus ahead.
- The weak move in gold over the last two sessions followed Friday's brief bounce to a 13-month high after the ECB signalled an end to rate cuts and the euro rose sharply versus the dollar. Gold is highly sensitive to monetary policy and resulting currency moves.
- SPDR Gold Trust, the world's largest gold-backed exchange-traded fund, said its holdings fell 1.08 percent to 790.14 tonnes on Monday from 798.77 tonnes on Friday. In terms of ounces, holdings fell to 25,403,927 ounces.

US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
26-Jan-16	135,390	108,051	56%	188,511	215,209	47%	36,847	37,668	49%	384,974
02-Feb-16	137,182	104,959	57%	182,101	215,122	46%	37,617	36,819	51%	379,550
09-Feb-16	139,124	100,357	58%	179,334	221,218	45%	38,246	35,249	52%	383,201
16-Feb-16	145,857	101,844	59%	199,650	244,905	45%	37,217	35,975	51%	415,426
23-Feb-16	146,018	99,435	59%	200,101	246,192	45%	36,635	37,127	50%	410,959

Source: CFTC, IGI Research

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Crude Oil

Technical

The WTI Crude Oil market initially trying to rally, but found far too much resistance above and we fell significantly, losing over 4%. This is a market that's been very volatile for some time now, and the recent rally has been impressive. However, we are turning around at a significant resistance level, extending all the way to the \$40 level. Speaking of \$40, that's an area where we would anticipate seeing quite a bit of resistance due to the fact that the US shale oil producers will start throwing quite a bit of supply into the market at the \$40 handle. Just below at the \$36 level, we could see a little bit of support.

Pivot:	36.92		
Support	36.55	36.05	35.33
Resistance	37.80	38.22	38.90

Recommendation

Sell positions below 37.80 with targets at 36.55 and 36.05 in extension

Highlights

- Oil prices continuing to head south today, after deep losses in the prior session
- Fading expectations for a supply freeze by major producing nations pressured crude
- Nymex crude lost more than 3% and Brent fell more than 2% in the prior trading session
- Investors sold off oil contracts following news that Iran's oil minister said the country wouldn't participate in an output freeze
- The government data is expected to show stockpiles in the key U.S oil hub in Cushing, Okla., are nearing maximum levels

Crude - Technical Indicators

RSI 14	56.35
SMA 20	34.97
SMA 50	32.32
SMA 100	35.13
SMA 200	40.84

Crude Oil Daily Graph



Source: Meta Trader, IGI Research

Fundamentals

- Oil prices fell in Asian trade today, extending losses from the session before as concerns start to take hold that a six-week recovery will peter out as markets remain oversupplied.
- Saudi Arabia and non-OPEC member Russia, the world's two largest oil exporters, along with Qatar and Venezuela said last month they would freeze output at January levels to prop up prices if other oil-producing nations agreed to join the first global oil pact in 15 years.
- But with U.S. crude stockpiles continuing to build and Iran showing little interest in joining major producers in freezing production, oil prices may have gained too much too soon in recent weeks.
- With the focus still on an output agreement, oil markets are likely to remain susceptible to further sell-offs as producers balk at cutting production. U.S. crude futures were 14 cents lower at \$37.04 a barrel. On Monday, they settled down 3.4 percent at \$37.18 a barrel.
- Crude inventories across the United States likely hit record highs for a fifth straight week last week, rising 3.3 million barrels, a Reuters poll of analysts said.
- Saudi Arabia kept its crude oil production steady in February at just above 10 million barrels per day (bpd), suggesting the world's biggest oil exporter is keeping to its preliminary deal with other producers to freeze output. Meanwhile, with sanctions on Iran removed in January, Tehran is keen to increase its production of crude to levels before the restrictions hit exports.
- Iran currently produces around 3.1 million bpd of oil. The sanctions also cut crude exports from a peak of 2.5 million bpd before 2011 to just over 1 million bpd in recent years.

US Commodity Futures Trading Commission (CFTC) Data

Date	Large Speculators			Commercial			Small Speculators			Open Interest
	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
26-Jan-16	458,206	105,441	81%	560,983	925,531	38%	82,700	70,917	54%	1,598,935
02-Feb-16	462,028	106,739	81%	557,217	927,085	38%	85,279	70,700	55%	1,615,844
09-Feb-16	454,829	123,816	79%	571,328	916,651	38%	87,594	73,282	54%	1,619,796
16-Feb-16	463,186	135,835	77%	560,029	897,400	38%	87,590	77,633	53%	1,623,027
23-Feb-16	473,506	133,457	78%	558,910	898,363	38%	79,121	79,717	50%	1,613,293

Source: CFTC, IGI Research

Commodity Outlook

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Silver

Technical

Silver markets initially tried to rally on Monday, but found far too much in the way of resistance at the \$15.60 level to continue going higher. Because of this, we did up forming a fairly negative candle but at the end of the day we feel that the market is still simply consolidating, perhaps trying to find support below at the \$15.20 level yet again. With this being the case, we are waiting to see whether or not we get some type of supportive candle that we can serve buying silver again. We don't have any desire to short this market at the moment.

Pivot:	15.28		
Support	15.18	15.01	14.86
Resistance	15.45	15.65	15.80

Recommendation

Sell positions below 15.45 with targets at 15.18 and 15.01 in extension

Highlights

- The Fed's two-day policy meeting will start today and be watched for clues on the future pace of U.S rate increases
- Further U.S rate hikes could lift the opportunity cost of holding non-yielding
- The Bank of Japan kept monetary policy steady but offered a bleaker view on the economy and warned of inflation expectations
- The main focus is the US Fed's policy meeting on March 15-16
- Immediate resistance is likely seen at \$15.83, the intraday high from March 7

Silver - Technical Indicators

RSI 14	53.58
SMA 20	15.23
SMA 50	14.84
SMA 100	14.48
SMA 200	14.84

Silver Daily Graph



Source: Meta Trader, IGI Research

Fundamentals

- Silver prices rose for a third consecutive day Monday, as the bullish trend accelerated amid continued robust demand for precious metals. Silver futures rose 19 cents or 1.3% to \$15.80 US per troy ounce on the Comex division of the New York Mercantile Exchange.
- The grey metal is trading above the 2016 closing high of \$15.79 an ounce set on February 11, which coincided with higher safe haven demand amid a rout in global equity markets.
- Silver's latest bull attempt reflects improved risk sentiment in the wake of the European Central Bank's "shock and awe" stimulus expansion last Thursday. Silver prices have surged 7% since March 1 as part of a general rebound in the global financial markets.
- Silver exchange-traded funds (ETFs) have also benefited from the most recent rally in precious metals. The iShares Silver Trust, which tracks the performance of the holdings in the London Silver Fix Price, was up 0.5% at 14.80.
- Relative weakness in silver partly reflected more robust demand for the US dollar, which is inversely related with the yellow metal. The dollar index, which tracks the performance of the US currency against a basket of global peers, rose 0.4% to 96.51.
- The Dollar index declined sharply last week as the euro gathered pace following the ECB stimulus announcement. China, which is a large consumer of precious and industrial metals, faces a "dangerous cocktail of risks," according to UK Chancellor George Osborne, who will announce his country's Budget this Wednesday.
- Looking ahead to this week, precious metals traders will be closely monitoring central bank press releases from around the world. The FOMC, the Federal Reserve's policy-setting arm, will issue a rate statement on Wednesday.

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	Long	Short	Bullish	Long	Short	Bullish	Long	Short	Bullish	
26-Jan-16	42,097	29,999	58%	56,157	75,843	43%	23,121	15,533	60%	132,501
02-Feb-16	42,083	27,402	61%	54,280	79,052	41%	24,963	14,872	63%	132,475
09-Feb-16	41,285	23,950	63%	53,875	79,404	40%	23,378	15,184	61%	131,294
16-Feb-16	41,287	24,798	62%	58,869	83,678	41%	21,523	13,203	62%	136,158
23-Feb-16	41,334	26,466	62%	60,600	84,551	42%	21,666	13,583	61%	139,468

Source: CFTC, IGI Research

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Data Calendar

Economic Data

Date	Time	Event	Importance	Actual	Forecast	Previous
Tue Mar 15	08:35	JPY BOJ Basic Balance Rate (MAR 15)	high	0.10%		0.10%
Tue Mar 15	08:35	JPY BOJ Policy Rate (MAR 15)	high	-0.10%	-0.10%	-0.10%
Tue Mar 15	11:30	BOJ Governor Kuroda Holds Post Policy Meeting Press Conference	high			
Tue Mar 15	15:00	EUR Euro-Zone Employment (YoY) (4Q)	medium	1.2%		1.1%
Tue Mar 15	17:30	USD Advance Retail Sales (MoM) (FEB)	high		-0.1%	0.2%
Tue Mar 15	17:30	USD Retail Sales Less Autos (MoM) (FEB)	medium		-0.2%	0.1%
Tue Mar 15	17:30	USD PPI Final Demand (YoY) (FEB)	low		0.1%	-0.2%
Tue Mar 15	18:00	CAD Existing Home Sales (MoM) (FEB)	medium			0.5%
Tue Mar 15	19:00	USD NAHB Housing Market Index (MAR)	medium		59	58

Source: Forex Factory, IGI Research

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